

ORIGINAL

DOCKET FILE COPY ORIGINAL

RECEIVED

NOV 30 2000

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

Federal-State Joint Board on
Universal Service

)
) CC Docket No. 96-45
)
)

AT&T COMMENTS ON USE LAG FNPRM

Mark C. Rosenblum
Judy Sello

Its Attorneys

Room 1135L2
295 North Maple Avenue
Basking Ridge, New Jersey 07920
(908) 221-8984

November 30, 2000

No. of Copies rec'd 074
LRA B C D E

TABLE OF CONTENTS

SUMMARY.....	i
I. THE COMMISSION MUST REVISE THE PRIOR-YEAR ASSESSMENT METHODOLOGY.....	2
II. EITHER A CARRIER ASSESSMENT BASED ON CURRENT REVENUES OR A MANDATORY END-USER SURCHARGE WOULD CURE THE COMPETITIVE INEQUITY OF THE EXISTING RULE.....	6
A. Adoption Of A Current-Revenue Carrier Assessment Would Be Competitively Neutral	6
B. Adoption Of A Mandatory End-User Surcharge Would Also Be Competitively Neutral.....	10
III. MODIFYING THE PRIOR-YEAR ASSESSMENT MECHANISM TO A SHORTER LAG INTERVAL WOULD NOT SOLVE THE COMPETITIVE INEQUITY OF THE CURRENT METHOD.....	13
CONCLUSION.....	14

SUMMARY

In the FNPRM, the Commission seeks comments on revising the existing assessment method for determining carriers' universal service contributions based on their prior-year revenues. Such a revision is long overdue, both to restore fairness to the universal service contributions borne by IXC's and their customers, and to comport with Congress's mandate that such contributions be equitable and nondiscriminatory. AT&T supports adoption of either: (a) a current-revenue carrier assessment mechanism or (b) a mandatory end-user surcharge for funding the federal universal service fund ("USF"). Either of these options would eliminate the inequity of the existing prior-year assessment methodology ("USF lag") for universal service contributions which fails to meet statutory requirements.

As shown in Part I, the Commission must revise the prior-year assessment mechanism because, in its current form, it violates Section 254(d)'s requirement that all interstate telecommunications service providers make an equitable and nondiscriminatory contribution to universal service support. Specifically, the existing rule systematically disadvantages IXC's with declining interstate revenues as compared with RBOC's and other newer entrants who gain long distance entry. Not only will RBOC's escape contributions for one year on their increasing long distance revenues, but in subsequent years their USF contribution will be based on their lower prior-year interstate revenues. Further, RBOC's will have the opportunity to surcharge customers in advance of paying their liability into the USF and to utilize the cash in the interim to subsidize other operations. By contrast, IXC's will be in precisely the reverse situation: they will be forced to recover the USF assessment made against a larger prior-year revenue base from a diminishing long distance customer

base. The impact of this rule will give the RBOCs an untenable competitive advantage in the long distance and all-distance market.

As discussed in Part II.A, a carrier assessment based on current revenues would be competitively neutral. Such an assessment would require USAC to set the contribution factor based on aggregate historical industry revenues but would require each carrier to apply the factor to its *current* retail revenues. Assuming a level or upward trend in industry revenues, the application of a contribution factor based on prior-year revenues to current revenues should allow sufficient contributions from the industry to support universal service programs. The Commission should, however, establish a reserve to ensure the adequacy of support in the event of decline in interstate end-user telecommunications revenues. If USAC observes an impending shortfall, it could make a prospective mid-quarter adjustment and use the reserve to correct for any lag between the detection of a shortfall and the adjusted contribution factor.

Under this proposal each carrier would submit monthly a statement of its prior month billed interstate end-user telecommunications revenues and make a contribution based on application of the USF assessment rate to those revenues. In addition, each carrier would continue to submit the Forms 499 semi-annually, and should conduct a "self-audit" to verify on those submissions the assessable revenues reported versus the actual amounts paid to USAC and make any appropriate additional payment or "true-up." USAC would not bill carriers; rather USAC would publish notice of the assessment rate and each carrier would apply that factor to current revenues, with its monthly USF contribution constituting a certification that the payment is correct. The onus should be on the carrier to notify USAC in writing if this is not the case, for example, because of a temporary billing

problem. A transition to the new mechanism could readily be accomplished with implementation January 1, 2001.

Part II.B shows that adoption of a mandatory end-user surcharge, which was broadly supported by all carriers during earlier phases of this proceeding, would also bring the USF assessment mechanism into compliance with statutory requirements. Under this approach, there should be a simultaneous assessment and recovery of the carrier's USF obligation, without any discretion on the part of the carrier as to how recovery will be made as between different classes of customers. USAC would set the quarterly contribution factor and carriers would be required to recover their USF obligation as a line-item on the carrier's retail bill to end-users for interstate telecommunications services.

As shown in Part III, modifying the prior-year assessment mechanism to a shorter interval would not solve the competitive inequity of the current method given the sharp decline in traditional long distance revenues. The Commission should not make this method optional as this would put more pressure on the integrity of the USF as each carrier selects whatever option is more favorable for it.

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

Federal-State Joint Board on
Universal Service

)
) CC Docket No. 96-45
)
)

AT&T COMMENTS ON USF LAG FNPRM

Pursuant to Section 1.415 of the Commission's Rules, 47 C.F.R. § 1.415, AT&T Corp. ("AT&T") submits these comments on the Commission's Further Notice of Proposed Rulemaking and Order ("FNPRM"), FCC 00-359, released October 12, 2000 and published in 65 Fed. Reg. 67322, 67371 (November 9, 2000), in the Commission's *Universal Service* proceedings. In the FNPRM (§ 2), the Commission seeks comments on: "(1) a proposed methodology for the assessment of universal service contributions based on current revenues; (2) a proposed methodology that would reduce the current interval between the accrual of revenues and the collection of universal service contributions based on those revenues; and (3) other proposals for the reporting of carrier revenues and the collection of contributions that maintain the competitive neutrality of contributions to the federal universal service support mechanisms, and that enable the mechanisms to continue to meet the statutory requirement to be specific, predictable, and sufficient."

AT&T supports adoption of either: (a) a current-revenue carrier assessment mechanism or (b) a mandatory end-user surcharge for funding the federal universal service fund ("USF"). Either of these options would eliminate the inequity of the existing prior-year assessment methodology ("USF lag") for universal service contributions, which

systematically disadvantages certain carriers, violates statutory requirements, discourages local competition, and should be promptly rectified.¹ Reducing the time interval between assessment and collection would not cure the competitive inequity of the existing mechanism.

I. THE COMMISSION MUST REVISE THE PRIOR-YEAR ASSESSMENT METHODOLOGY.

In the FNPRM (§§ 8, 11), the Commission seeks comment on "whether, as a result of changes in the interstate marketplace, the existing methodology provides or will provide a competitive advantage to certain carriers in the marketplace" and, if so, whether it would render the existing methodology inconsistent with statutory requirements. The answer to both questions is yes.

Section 254(d) of the Telecommunications Act of 1996 requires that all interstate telecommunications service providers make an equitable and nondiscriminatory contribution to universal service support. The Commission's current USF recovery mechanism is profoundly anticompetitive and does not comply with the statutory directive because it means that carriers with declining interstate revenues will be systematically disadvantaged as compared to carriers with increasing interstate revenues. Specifically, it will put interexchange carriers ("IXCs"), who must compete with Regional Bell Operating Companies ("RBOCs") as they gain entry into the long distance market, at a severe and

¹ The Commission adopted the prior-year assessment mechanism in its May 8, 1997 Universal Service Order. Federal-State Joint Board on Universal Service, 12 FCC Rcd 8776 (1997) ("Universal Service Order").

untenable competitive disadvantage. The Commission should immediately address this inequity.²

Under the Commission's prior-year assessment and contribution methodology, during the first year post in-region entry, the RBOCs will make their USF contributions based exclusively on their prior-year retail revenues from the subscriber line charge ("SLC"), special access and such limited corridor service that an RBOC was previously permitted to provide. Thus, the RBOCs will escape contributions for one year on their increasing retail long distance revenues after in-region entry. In addition, in subsequent years of their ramp-up in the long distance market, their USF assessment, and corresponding contributions, will be based on their lower prior-year interstate revenues. To the extent the RBOCs increase market share following in-region entry, the revenue base for recovery of their USF obligations will always be greater than the revenue base on which their USF obligations were assessed.³ Indeed, the RBOCs will be able to use this discrepancy to finance their market share growth. By contrast, IXC's will be in precisely the

² Another aspect of the USF program which is not competitively neutral and which the Commission should separately review are the numerous exemptions it has granted that inappropriately constrict the size of the USF assessment base and that unfairly burden those carriers and their customers who must therefore disproportionately fund the USF programs. Among the exceptions that should be reviewed are the exemption of the international revenues of carriers whose interstate end-user telecommunications revenues constitute less than 8% of their combined interstate/international end-user telecommunications revenues, the exemption for system integrators' resale telecommunications revenues so long as they do not comprise more than 5% of the firm's total system integration revenues, and the *de minimis* exemption which exempts carriers whose annual USF contribution would be less than \$10,000. See, e.g., 47 C.F.R. §§ 54.706(c), 54.706(d), and 54.708.

³ Tier III interexchange carriers with rapid revenue growth would also enjoy this unwarranted competitive advantage.

reverse situation: they will be forced to recover the USF assessment made against a larger prior-year revenue base from a diminishing long distance customer base.

By any measure, the RBOCs would enjoy an extraordinary cost and pricing advantage for long distance or an all-distance bundle. Given that the RBOCs would not have any incremental USF costs for the first year after they gain in-region entry into the interLATA market, an RBOC could, for example, offer a customer a long distance service or an all-distance bundle waiving USF charges for 12 months, effectively giving the customer a substantial discount off of an IXC's rate which includes the recovery of USF obligations. That in itself is a powerful offer subsidized by the IXC who lost the business. It would not be possible for AT&T to match this offer except by absorbing its own real USF costs, a tactic that could not last long in a competitive market. Alternatively, an RBOC could opt to assess a USF charge against its end-user long distance customers (as Verizon has done in New York) even before it has a contribution obligation on its long distance revenues and thereby increase its profits and ability to cross-subsidize other offerings.

This distortion is further exacerbated by the Fifth Circuit's ruling in Texas Office of Public Utility Counsel v. FCC,⁴ which required the Commission to exclude intrastate revenues from the USF assessment base. Had the Court affirmed the Commission's authority to assess interstate carriers based on their combined interstate and

⁴ 183 F.3d 393 (5th Cir.1999), *cert. denied sub nom AT&T Corp. and MCI WorldCom Corp. v. Cincinnati Bell Telephone Company*, 120 S.Ct. 2237 (June 5, 2000), as implemented by the Commission, Federal-State Joint Board on Universal Service and Access Charge Reform, Sixteenth Order on Reconsideration in CC Docket No. 96-45, Eighth Report and Order in CC Docket No. 96-45, Sixth Report and Order in CC Docket No. 96-262, FCC 99-290 (Oct. 8, 1999) ("Implementation Order").

intrastate revenues and had the Commission adopted the Joint Board's Second Recommended Decision⁵ to assess the high-cost and low-income programs based on carriers' combined revenues, at least there would have been some parity by the fact that the RBOCs would be losing local retail customers to IXC's entering local markets. Yet, given the Fifth Circuit's ruling, that symmetry is now totally lacking and the prior-year assessment and contribution mechanism is skewed to favor solely carriers entering the interstate long distance market.

For this reason, the Commission's prior-year assessment mechanism is not competitively neutral and must be revised because it is totally at odds with the requirements of Section 254 and, indeed, with the fundamental objective of the 1996 Telecommunications Act to open all markets, and most particularly *local* markets, to competition. Predictably, many customers will select those carriers that can offer the most attractive package to meet their overall telecommunications service needs. Not only do IXC's have to make substantial investments to enter local markets, but they will be handicapped in their ability to price favorably compared to the incumbent, if they are disparately burdened with USF assessments, as they are under the Commission's current scheme. Accordingly, AT&T urges the Commission to immediately revise its USF assessment methodology and adopt a contribution mechanism based on current revenues.

⁵ 13 FCC Rcd 24744, ¶¶ 62-63 (Jt. Bd. 1998). From the inception of the schools, libraries and rural health care universal service support programs until it was forced to revise the assessment base by the Fifth Circuit's ruling, the Commission had assessed interstate carriers' combined revenues for these new USF programs.

II. EITHER A CARRIER ASSESSMENT BASED ON CURRENT REVENUES OR A MANDATORY END-USER SURCHARGE WOULD CURE THE COMPETITIVE INEQUITY OF THE EXISTING RULE.

AT&T strongly urges the Commission to adopt a methodology that addresses assessment of USF contributions in a competitively neutral manner. This could be accomplished by adoption of a carrier assessment based on interstate carriers' current revenues *or* a mandatory end-user surcharge.

A. Adoption Of A Current-Revenue Carrier Assessment Would Be Competitively Neutral.

As the FNPRM (§§ 14-20) recognizes, one mechanism for bringing the USF assessment methodology into compliance with statutory directives is to modify the existing carrier assessment mechanism and base it on carriers' current revenues. To implement this approach, the Commission should require the Universal Service Administrative Company ("USAC") to set the USF contribution factor assessed against carriers (as it does today) but require carriers to contribute to the USF based on the application of the factor to their *current* retail revenues.⁶ Such a carrier assessment would be competitively neutral and would avoid several problems, including, most fundamentally, the discriminatory impact of the current mechanism given carrier revenue fluctuations.

To implement this approach, the Commission should require each interstate telecommunications carrier to submit twice each year to USAC a verified accounting of its retail revenues on the Form 499 Telecommunications Reporting Worksheet. USAC would

⁶ This is the method used by Texas and Colorado for their state universal service funds. In Texas the factor is applied to monthly retail revenues, whereas Colorado applies the factor quarterly to current revenues.

then estimate the total federal support that will be needed for the following quarter, as it does currently. Based on this estimate, USAC would then develop a factor that is equal to the ratio of the federal support requirement to total retail revenues for the period. Each telecommunications service provider would then be assessed an amount equal to the application of the USAC factor to its current retail revenues. Thus, even if an RBOC had no long distance revenues when it submitted its Form 499, it will be assessed by the application of the USAC factor to its current period revenues. Competitive neutrality would thus be assured.

This methodology would not require a forecast of total industry revenues to set the USF contribution factor and thus would not increase the likelihood that universal service contributors would be overbilled in some periods and underbilled in others. One of the benefits of this proposal is that it does *not* require reliance on revenue forecasting. Indeed, this proposal has the same indicia of reliability as the FCC's current mechanism because industry aggregate historical revenues are used to calculate the uniform assessment rate that would be applied by all carriers to their current retail revenues.

As the Commission observes, "[a]ssuming a level or upward trend in industry revenues, the application of a contribution factor based on prior-year revenues to current revenues should allow USAC to recover sufficient contributions from the industry as a whole in order to fund the universal service support mechanisms." FNPRM, ¶ 14. Nonetheless, as the FNPRM (¶ 15) recognizes, changes in market conditions might result in a decline in interstate end-user telecommunications revenues which could generate a shortfall in the USF. Accordingly, to ensure the adequacy of support funds should this occur, the Commission needs to establish a "reserve."

The FNPRM (§ 16) asks whether there should be some quarterly "true-up" mechanism that could be implemented to allow USAC to adjust the assessment rate retrospectively or allow for a mid-quarter adjustment. A retrospective adjustment would no longer be based on "current" revenues and would be inconsistent with the notion of a current-revenue assessment. However, if USAC observes an impending shortfall, it could make a prospective mid-quarter adjustment, and the reserve should be used to correct for any lag between the detection of a shortfall and the adjusted mid-quarter contribution factor.⁷ Ideally, however, such an adjustment would be made in the following quarterly assessment rate to account for the difference between required funding and amounts collected.

The Commission also seeks comment on whether the additional reporting requirements associated with a current-revenue assessment mechanism would be burdensome. FNPRM, § 17. Under this proposal each carrier would submit on a monthly basis a statement of its prior month billed interstate end-user telecommunications revenues and a contribution based on application of the USF assessment rate to those revenues.⁸ For example, the payment for January-billed revenues would be due March 15, and the payment for February-billed revenues would be due April 15. In addition, each carrier would continue to submit the Forms 499 semi-annually. On the Forms 499, carriers should verify the assessable revenues reported versus the actual amounts paid to USAC and make

⁷ Either the mid-quarter assessment factor or the following quarter assessment factor should include a kicker to replenish the reserve.

⁸ Those few carriers that do not bill their customers on a monthly basis should be permitted to make quarterly contributions, or make contributions based on estimates of their monthly revenues.

any appropriate additional payment or "true-up" based on this "self-audit." If a carrier has overpaid, then it should be able to deduct its overpayment from its next due contribution. Unlike under the current system where USAC "bills" a dollar amount to each carrier, USAC would publish a notice of the assessment rate and each carrier would apply that rate to its current revenues.

The Commission also questions whether this proposal could create incentives for carriers to underreport revenues for the early months of a reporting period and then overreport in the later months to increase available cash. FNPRM, ¶ 18. As indicated above, the semi-annual Forms 499 should include a "self-audit." In addition, the Commission should provide by rule that a carrier's monthly contribution constitutes a certification that the payment submitted constitutes a correct application of the USAC assessment factor to the carrier's current revenues. The Commission should put the onus on carriers to notify USAC in writing if this is not the case, for example, on account of a temporary carrier billing problem.

The Commission also seeks comment on how to transition from the current prior-year revenue assessment system to one based on current revenues. FNPRM, ¶ 19. If the new method is implemented on January 1, 2001, the contribution for January-billed revenues would be due March 15, 2001. During the transition, carriers should be required to make a January 15, 2001 contribution based on the second half 1999 revenues as defined by the current mechanism, but transition to the current-revenue assessment mechanism with the February 15, 2001 contribution based on December 2000 billings.⁹

⁹ Accordingly, the January 15, 2001 contributions billed by USAC on December 15, 2000 using the 4th Quarter 2000 assessment rate would continue to be based on the

In this manner, an assessment methodology based on current revenues can be implemented promptly and will provide for "specific, predictable and sufficient" USF support. Moreover, under this mechanism, as end-user revenues shift among carriers, so would their USF contribution obligation. In other words, the carrier contribution obligation would be portable, just as USF support distribution is, under the Commission's program. This ensures that no carrier is competitively disadvantaged by the USF program and that customers are free to select carriers based on the quality and price of their services.

B. Adoption Of A Mandatory End-User Surcharge Would Also Be Competitively Neutral.

Another way to bring the USF assessment mechanism into compliance with statutory requirements is to adopt a mandatory end-user surcharge. The FNPRM (§ 29) also seeks comment on this alternative. In the proceedings leading up to the Universal Service Order, AT&T had urged the Joint Board and the Commission to recover universal service costs through a retail surcharge on end-users' bills, applied to customer-specific retail revenues, and has a petition for reconsideration that remains pending on this issue.¹⁰ Such a contribution mechanism, had it been adopted, would have been based on current revenues

(footnote continued from previous page)

prior-year assessment mechanism. Conversion to the new current-revenue assessment mechanism would start with the February 15, 2001 contributions that would be assessed using the 1st Quarter 2001 assessment rate applied to the December 2000 billings. Similarly, the March 15, 2001 contribution would be based on January 2001 billings pursuant to the new current-revenue assessment mechanism. See Attachment A.

¹⁰ AT&T's petition for reconsideration of the Universal Service Order, filed July 11, 1997, asked the Commission to adopt a mandatory end-user surcharge as the most competitively neutral USF recovery mechanism. Such a mechanism was broadly supported by all carriers.

and would ameliorate the effects on a carrier of a reduction in year-to-year revenues, as is bound to occur as the RBOCs enter the long distance market.

Accordingly, as an alternative to a current-revenue carrier assessment mechanism, the Commission should adopt an explicit, mandatory end-user surcharge on all interstate retail telecommunications service revenues. This is, in fact, the recovery mechanism which in the *Universal Service* proceeding received broad support among the industry as the most competitively neutral recovery mechanism.¹¹ The mandatory end-user surcharge should be assessed against all interstate retail revenues (including the SLC, long distance, special access sold to end-users, interexchange, cellular, paging, and noncommon carrier telecommunications services such as satellite).¹²

Under this approach, to ensure competitive neutrality, there should be simultaneous assessment and recovery of the carrier's USF obligation, without any discretion on the part of the carrier as to how recovery will be made as between different classes of customers. Thus, the Commission should require USAC to set the quarterly

¹¹ See e.g., *CC Docket 96-45 Comments (April 12, 1996)*: ALLTEL at 7-8; Ameritech at 30-31; AT&T at 8; BellSouth at 15-16; California Department of Consumer Affairs at 38-40; GTE at 36; LCI at 14; MFS at 12-13; NYNEX at 23-24; PacTel at 20-22; PageNet at 16; SBC at 11-13; TDS at 6-8; U S WEST at 45-46; USTA at 22-23; WorldCom at 40-41; *CC Docket 96-45 Reply Comments (May 7, 1996)*: ACTA at 6; AirTouch at 20-21; ALTS at 5-8; Bell Atlantic/NYNEX at 2-3; California SBA at 4-5; KMC at 4; SBC at 2-3.

¹² The Commission should make explicit that because, unlike customers of other services, wireless customers pay for both placing and receiving calls, the surcharge on bills to wireless customers should apply only to basic service and revenues associated with originating calls. This will ensure parity between landline and wireless customers.

factor assessed against carriers (as it does today) and require carriers to recover their USF obligation as a line-item on the carrier's retail bill to end-users.¹³

With a mandatory end-user surcharge, the competitive neutrality problem would not arise because the *assessment* and *recovery* for USF support would both focus on current retail end-user revenues. Under a mandatory end-user surcharge, there would be no possibility whatsoever that year-to-year fluctuations in a carrier's revenues would create a competitive disparity because under this approach USAC would establish a fixed percentage surcharge that all carriers would assess against their end-users' interstate telecommunications revenues, in the same manner that they recover the current federal excise tax from them. In other words, each carrier's USF obligation would be directly transferred to its end-user customers. Carriers would remit their surcharge receipts to the USF administrator, who would disburse the appropriate USF support funds to the eligible service providers. With no additional costs incurred by the carriers, there would be no opportunity for carriers to "game" the process. Accordingly, USF assessment and recovery would be competitively neutral for all carriers.

The Commission's sole basis for rejecting a mandatory end-user surcharge was that it would "eliminate carriers' pricing flexibility to the detriment of consumers."

¹³ For example, the Commission could require each interstate telecommunications carrier to submit twice each year to the USF administrator a verified accounting of its retail revenues on a Form 499 Worksheet. The administrator would then estimate the total federal support that will be needed for the following quarter. Based on this estimate, USAC would then develop a factor that is equal to the ratio of the federal support requirement to total retail revenues for the period. Each telecommunications service provider would then be required to use the factor as a rate element, which is applied to its retail revenues. Specifically, each telecommunications service provider would be required to apply the rate element to the retail revenues of each of its end-user

(footnote continued on following page)

Universal Service Order, ¶ 853. To the contrary, as shown above, because a mandatory end-user surcharge is the most competitively neutral recovery mechanism, it will ensure that each consumer pays his or her fair share of universal service support.

III. MODIFYING THE PRIOR-YEAR ASSESSMENT MECHANISM TO A SHORTER LAG INTERVAL WOULD NOT SOLVE THE COMPETITIVE INEQUITY OF THE CURRENT METHOD.

The Commission also seeks comment on whether it should simply shorten the interval between the accrual of revenues by carriers and the assessment of universal service contributions based on those revenues from the existing 12-18 months to 3-6 months. FNPRM, ¶ 21. Such a shortening of the lag would not address the competitive inequity in the current system given the sharp decline in traditional long distance revenues. Moreover, this "shortened lag" should not be offered as an optional alternative to carriers as it would put more pressure on the integrity of the USF as each carrier selects whatever option is more favorable for it (*e.g.*, RBOCs would select the lag, and IXC's would select the current assessment mechanism). FNPRM, ¶ 25.

(footnote continued from previous page)

customers, with the rate element appearing as a line-item on the end-user's monthly bill.

CONCLUSION

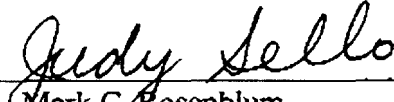
To the extent and for the reasons stated above, the Commission should modify its prior-year assessment mechanism for USF contributions by adopting either:

(a) a current-revenue carrier assessment mechanism or (b) a mandatory end-user surcharge.

Respectfully submitted,

AT&T CORP.

By /s/


Mark C. Rosenblum
Judy Sello

Room 1135L2
295 North Maple Avenue
Basking Ridge, New Jersey 07920
(908) 221-8984

Its Attorneys

November 30, 2000

Transition From Prior-Year Lag Mechanism to Current Revenues Mechanism

Current Mechanism Payment Date	Assessment Factor	Based On Revenues From	New Mechanism Payment Date	Assessment Factor	Based On Revenues From
Dec. 15, 2000	4Q 2000	2 nd Half 1999	Dec. 15, 2000	4Q 2000 (Old Mech)	2 nd Half 1999 (Old Mech)
Jan. 15, 2001	4Q 2000	2 nd Half 1999	Jan. 15, 2001	4Q 2000 (Old Mech)	2 nd Half 1999 (Old Mech)
Feb. 15, 2001	1Q 2001	1 st Half 2000	Feb. 15, 2001	1Q 2001	Dec. 2000
Mar. 15, 2001	1Q 2001	1 st Half 2000	Mar. 15, 2001	1Q 2001	Jan. 2001

CERTIFICATE OF SERVICE

I, Tracy L. Rudnicki, do hereby certify that on this 30th day of November, 2000, a copy of the foregoing "AT&T Comments on USF Lag FNPRM" was served by U.S. first class mail, postage prepaid, on the parties named on the attached Service List.

/s/ Tracy L. Rudnicki
Tracy L. Rudnicki

**SERVICE LIST
UNIVERSAL SERVICE
FEDERAL-STATE JOINT BOARD
CC DOCKET NO. 96-45**

The Honorable Susan Ness, Chair
Commissioner
Federal Communications Commission
445 Twelfth Street, SW, Room 8-B115
Washington, DC 20554

Irene Flannery
Acting Ass't. Division Chief
CCB, Accounting Policy Division
445 Twelfth Street, SW, Room 5-A426
Washington, DC 20554

The Honorable Harold Furchtgott-Roth
Commissioner
Federal Communications Commission
445 Twelfth Street, SW, Room 8-A302
Washington, DC 20554

Paul Gallant
Federal Communications Commission
Legal Advisor to Commissioner Tristani
445 Twelfth Street, SW, Room 8-C302B
Washington, DC 20554

The Honorable Gloria Tristani
Commissioner
Federal Communications Commission
445 Twelfth Street, SW, Room A-C302
Washington, DC 20554

The Honorable Nanette G. Thompson
Regulatory Commission of Alaska
1016 West Sixth Avenue, Suite 400
Anchorage, AK 99501-1693

Lori Kenyon
Common Carrier Specialist
Alaska Public Utilities Commission
1016 West Sixth Avenue, Suite 400
Anchorage, AK 99501

Mark Long
Economic Analyst
Florida Public Service Commission
Gerald Gunter Bldg.
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0866

The Honorable Bob Rowe
Montana Public Service Commission
1701 Prospect Avenue
PO Box 20261
Helena, MT 59620-2601

Sandra Makeeff Adams
Accountant
Iowa Utilities Board
350 Maple Street
Des Moines, IA 50319

The Honorable Laska Schoenfelder
Commissioner
South Dakota Public Utilities Commission
State Capitol, 500 East Capitol Street
Pierre, SD 57501-5070

Kevin Martin
Federal Communications Commission
Legal Advisor to Commissioner Furchtgott-
Roth
445 Twelfth Street, SW, Room 8-A302E
Washington, DC 20554

The Honorable Martha S. Hogerty
Public Counsel
Secretary of NASUCA
Truman Building
301 West High Street, Suite 250
P.O. Box 7800
Jefferson City, MO 65102

Philip F. McClelland
Assistant Consumer Advocate
Pennsylvania Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

Charles Bolle
Public Utilities Commission of Nevada
1150 East William Street
Carson City, NV 89701

Thor Nelson
Rate Analyst/Economist
Colorado Office of Consumer Counsel
1580 Logan Street, Suite 610
Denver, CO 80203

Jordan Goldstein
Federal Communications Commission
Legal Advisor to Commissioner Ness
445 Twelfth Street, SW, Room 5-C441
Washington, DC 20554

Barry Payne
Economist
Indiana Office of the Consumer Counsel
100 North Senate Avenue, Room N501
Indianapolis, IN 46204-2208

Rowland Curry
Policy Consultant
Texas Public Utility Commission
1701 North Congress Avenue
P.O. Box 13326
Austin, TX 78701

Brad Ramsay
Deputy Assistant
General Counsel
National Assoc. of Regulatory Utility
Commissioners
1101 Vermont Avenue, N.W., Suite 200
Washington, D.C. 20005

Jack Leutza
Regulatory Analyst
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Tiane Sommer
Special Assistant
Attorney General
Georgia Public Service Commission
47 Trinity Avenue
Atlanta, GA 30334

Patrick H. Wood, III
Chairman
Texas Public Utility Commission
1701 North Congress Avenue
P.O. Box 13326
Austin, TX 78711-3326

Peter Bluhm
Director of Policy
Vermont Public Service Board
Research Drawer 20
112 State St., 4th Floor
Montpelier, VT 05620-2701

Walter Bolter
Intergovernmental Liaison
Florida Public Service Commission
Gerald Gunter Building, Suite 270
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Carl Johnson
Telecom Policy Analyst
New York Public Service Commission
3 Empire State Plaza
Albany, NY 12223-1350

Doris McCarter
Ohio Public Utilities Commission
180 E. Broad Street
Columbus, OH 43215-3793

Susan Stevens Miller
Assistant General Counsel
Maryland Public Service Commission
6 Paul Street, 16th Floor
Baltimore, MD 21202-6806

Mary E. Newmeyer
Federal Affairs Advisor
Alabama Public Service Commission
100 N. Union Street, Suite 800
Montgomery, AL 36104

Tom Wilson
Economist
Washington Utilities & Transportation
Commission
1300 Evergreen Park Drive, S.W.
P.O. Box 47250
Olympia, WA 98504-7250

Linda Armstrong
Attorney
Federal Communications Commission
CCB, Accounting and Audits Division
Universal Service Branch
445 Twelfth Street, SW, Room 5A-663
Washington, DC 20554

Lisa Boehley
Attorney
Federal Communications Commission
CCB, Accounting Policy Division
445 Twelfth Street, SW, Room 5-B544
Washington, DC 20554

Katherine Schroder
Deputy Division Chief
Federal Communications Commission
CCB, Accounting Policy Division
445 Twelfth Street, SW, Room 5-A423
Washington, DC 20554

Steve Burnett
Public Utilities Specialist
Federal Communications Commission
CCB, Accounting Policy Division
445 Twelfth Street, SW, Room 5-B418
Washington, DC 20554

Bryan Clopton
Public Utilities Specialist
Federal Communications Commission
CCB, Accounting Policy Division
445 Twelfth Street, SW, Room 5-A465
Washington, DC 20554

Andrew Firth
Attorney
Federal Communications Commission
CCB, Accounting Policy Division
445 Twelfth Street, SW, Room 5-A505
Washington, DC 20554

Lisa Gelb
Division Chief
Federal Communications Commission
CCB, Accounting Policy Division
445 Twelfth Street, SW, Room 5-A520
Washington, DC 20554

Emily Hoffnar
Federal Staff Chair
Federal Communications Commission
CCB, Accounting Policy Division
445 Twelfth Street, SW, Room 5-A660
Washington, DC 20554

Charles L. Keller
Attorney
Federal Communications Commission
CCB, Accounting Policy Division
445 Twelfth Street, SW, Room 5-A664
Washington, DC 20554

Katie King
Attorney
Federal Communications Commission
CCB, Accounting Policy Division
445 Twelfth Street, SW, Room 5-B550
Washington, DC 20554

Robert Loube
Telecom. Policy Analyst
Federal Communications Commission
CCB, Accounting Policy Division
445 Twelfth Street, SW, Room 5-B524
Washington, DC 20554

Brian Millin
Interpreter
Federal Communications Commission
CCB, Accounting Policy Division
445 Twelfth Street, SW, Room 5-a525
Washington, DC 20552

Sumita Mukhoty
Attorney
Federal Communications Commission
CCB, Accounting Policy Division
445 Twelfth Street, SW, Room 5-A633
Washington, DC 20554

Mark Nadel
Attorney
Federal Communications Commission
CCB, Accounting Policy Division
445 Twelfth Street, SW, Room 5-B551
Washington, DC 20554

Gene Fullano
Attorney
Federal Communications Commission
CCB, Accounting Policy Division
445 Twelfth Street, SW, Room 5-A623
Washington, DC 20554

Richard D. Smith
Attorney
Federal Communications Commission
CCB, Accounting Policy Division
445 Twelfth Street, SW, Room 5B-448
Washington, DC 20554

Matthew Vitale
Attorney
Federal Communications Commission
CCB, Accounting Policy Division
445 Twelfth Street, SW, Room 5-B530
Washington, DC 20554

Sharon Webber
Attorney
Federal Communications Commission
CCB, Accounting Policy Division
445 Twelfth Street, SW, Room 5-B552
Washington, DC 20554

Jane Whang
Attorney
Federal Communications Commission
CCB, Accounting Policy Division
445 Twelfth Street, SW, Room 5-B540
Washington, DC 20554

Adrian Wright
Accountant
Federal Communications Commission
CCB, Accounting Policy Division
445 Twelfth Street, SW, Room 5-B510
Washington, DC 20554

Ann Dean
Assistant Director
Maryland Public Service Commission
6 Paul Street, 16th Floor
Baltimore, MD 21202-6806

David Dowds
Public Utilities Supervisor
High Cost Model
Florida Public Service Commission
Gerald Gunter Bldg.
2540 Shumard Oaks Blvd.
Tallahassee, FL 32399-0866

Don Durack
High Cost Model
Staffer for Barry Payne
Indiana Office of Consumer Counsel
100 North Senate Avenue
Indianapolis, IN 46204-2208

Greg Fogleman
Regulatory Analyst
High Cost Model
Florida Public Service Commission
Gerald Gunter Bldg.
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0866

Anthony Myers
Technical Advisor
High Cost Model
Maryland Public Service Commission
6 St. Paul Street, 19th Floor
Baltimore, MD 21202-6806

Diana Zake
Texas Public Utility Commission
1701 North Congress Avenue
P.O. Box 13326
Austin, TX 78711-3326

Tim Zakriski
NYS Department of Public Service
3 Empire State Plaza
Albany, NY 12223

Barbara Meisenheimer
Consumer Advocate
Missouri Office of Public Counsel
301 West Madison St., Suite 250
Truman Building
P.O. Box 7800
Jefferson City, MO 65102

Earl Poucher
Legislative Analyst
Office of the Public Counsel
111 West Madison, Rm. 812
Tallahassee, FL 32399-1400